

10/2/2011

#06-10725-lbr

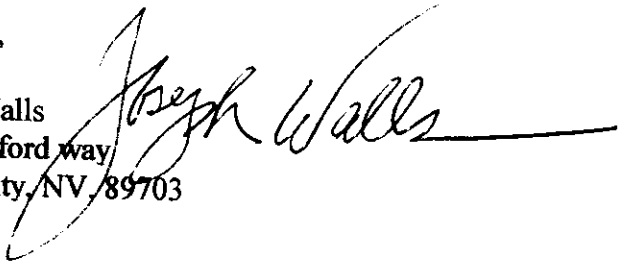
Dear Judge Riegler,

Please find a copy of my letter to attorney John Hinderaker concerning my claims against USA Capital, with respect to Eagle Meadows loan and Del Valle Livingston loans.

Thank you for your time and consideration.

Sincerely,

Joseph Walls  
2778 Bedford way  
Carson City, NV 89703



RECEIVED  
AND FILED

OCT 01 2011

U.S. BANKRUPTCY COURT  
MARY A. SCHOTT, CLERK

RECEIVED BY CLERK 10/7/11

October 2, 2011  
John Hinderaker  
3993 Howard Hughes Parkway  
Suite 600  
Foley Federal Building  
Las Vegas, Nevada 89169

Dear Mr. Hinderaker,

This letter is in response to your notice to me concerning my claims against USA Capital in the loans, Del Valle Livingston (Claim No. 10725-00398-2), and in Eagle Meadows (Claim No. 10725-00398-3).

Your notice to me states the USA Capital was an innocent company that merely arranged the loans. Such an opinion is now known to be naïve and false.

Please see the enclosed article that USA Capital stated "no investor has ever lost a penny of principal" when investing with USA Capital". The article states the in 2005 USACM hid the fact that borrowers were defaulting, which resulted in depletion of impound funds that were used to pay interest to lenders. "in a bid to stay solvent USACM not only continued to collect fees by originating speculative loans into a weakening real estate market but told investors that loans had been extended when in fact the loans had paid off. The proceeds of the payoffs, instead of being paid to the rightful beneficiaries, were diverted to pay thousands of other investors their monthly interest checks. As such every loan in the portfolio appeared to be performing." In this way USACM was able to continue to solicit money.

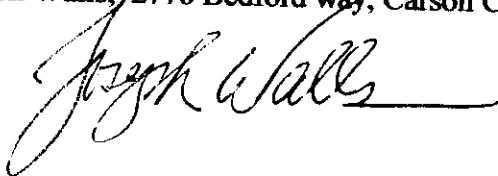
The Borrower in the Del Valle Livingston loan was Scott Myers. Exhibit B was supplied by USA Capital, and has their name prominently displayed at the top of the loan description. It states that Mr. Myers indicated net worth is \$25 million as of 12/31/2004. It states that Loan to Value is 63% (which is attractive), and there are purchase and sales contracts with Richmond Homes and Meritage Homes.

The Borrower in the Eagle Meadows loan was Kent Hoggan. Exhibit B, supplied by USA Capital states Mr. Hoggan has been in the residential development business since 1973, has been involved in over 50 successful master planned communities. It states Pulte Homes has purchased 85% of phase I and has interest in purchasing the bulk of lots in Phase II. It states the Loan to Value ratio is 50% (which is attractive). Exhibit B states Mr. Hoggan has a net worth of \$195,000,000 as of 3/31/2005.

Each of these loans was marketed by USA Capital as a means to encourage Lenders to send money to USA Capital. If Mr. Myers or Mr. Hoggan had contacted me with this same information, I would not have sent money. The fact that USA Capital was making payments on prior loans, while hiding the fact that defaults were occurring, was the reason that Lenders sent money for Del Valle Livingston and Eagle Meadows loans. USA Capital did not uphold their fiduciary duty to Lenders when they solicited these for these loans. I believe they remain culpable to Lenders for this reason.

Thank you for your consideration.

Joseph Walls, 2778 Bedford way, Carson City, 89703



SCANNED

# USA Capital

From Wikipedia, the free encyclopedia

Popularly known as USA Capital, hard money lender USA Commercial Mortgage Co.(USACM) was a Las Vegas, Nevada based mortgage broker owned by Tom Hantges, Joe Milanowski and Paul Hamilton. Affiliated with the lending/brokerage activity at USACM was a management company (USA Securities) and two funds, the Diversified Trust Deed Fund for Nevada residents only, and the First Trust Deed Fund.

There were two general categories of investors; 1.) fund investors who pooled their cash with others and allowed USACM to select which investments would be made and 2.) investors who desired to evaluate projects for themselves before investing in an individual loan. The latter were known as direct lenders.

Though there were instances of a single direct lender funding an entire loan, the vast majority of loans were funded by many entities, which included the two Trust Deed Funds themselves. Typically loans ranging from \$3,000,000 to \$30,000,000 would be funded by between 30 and 300 persons, each of whom was a fractional beneficiary of the promissory note.

The loans brokered by USACM offered investors high interest rates relative to the prevailing safe rates available on CDs and Treasury Notes. Publicly at least, USACM maintained a nearly unblemished record of stability and integrity for years and advertised that "no investor has ever lost a penny of principal."

When borrowers approached USACM in need of money, USACM would negotiate hard terms. This included hefty upfront origination fees and loan points, ongoing servicing and extension fees, and back end equity participation or success fees all of which were payable to USACM. The retail investors received interest only.

Very often loans were made on land or projects that were very early in the development, entitlement or marketing stage. These properties did not generate rental income in most cases, so sales of units, or the refinance or sale of further entitled land was required to pay the investors back. Impound accounts sufficient to pay interest for the term of the loans were generally funded with the investor's own money and as a result repayment of most loans was almost entirely dependent on continuing high demand for condominium conversions and stable or accelerating demand for builder ready land.

In 2005 with impound funds depleting and the reduced ability of borrowers to sell condos to the public or sell land to builders, borrowers began to default on their obligations. USACM hid this fact from both the Nevada regulators and the investors. In a bid to stay solvent USACM not only continued to collect fees by originating speculative loans into a weakening real estate market but told investors that loans had been extended when in fact the loans had paid off. The proceeds of the payoffs, instead of being paid to the rightful beneficiaries, were diverted to pay thousands of other investors their monthly interest checks. As such every loan in the portfolio appeared to be performing.

On April 13, 2006 the company surprised over 6,000 investors when it declared bankruptcy. At the time of insolvency the company was managing \$962,000,000 in investor assets, making it the biggest bankruptcy case in the history of Nevada.

Marc Levinson, an attorney representing investors in USA Capital likened the operation to a Ponzi scheme.[1] ([http://www.reviewjournal.com/lvrj\\_home/2006/Aug-05-Sat-2006/business/8898792.html](http://www.reviewjournal.com/lvrj_home/2006/Aug-05-Sat-2006/business/8898792.html)) The judge Linda Riegle ordered the appointment of a trustee to oversee matters when it was disclosed that Hantges and Milanowski owed \$9.8 million to a reputed former associate of Gambino crime family boss John Gotti.[2] (<http://www.lasvegassun.com/sunbin/stories/nevada/2006/dec/20/122010060.html>)

In November, 2006 some investors organized themselves as the USA Capital Lender Protection Group. By March 2007 membership had grown to over 750.

On March 15, 2007 New York private equity firm Compass Partners announced they were the highest bidder at a bankruptcy court auction. [3] ([http://www.reviewjournal.com/lvrj\\_home/2007/Mar-15-Thu-2007/business/13160811.html](http://www.reviewjournal.com/lvrj_home/2007/Mar-15-Thu-2007/business/13160811.html)) The company paid \$47 million for the right to service most of the outstanding loans, and for the assets of the USA Capital First Trust Deed Fund. Many investors were opposed to the involvement of Compass.

The same month, investors received letters from the FBI informing them that they were possible victims of a crime and that USACM was under investigation. According to an investment prospectus distributed to the Diversified Fund investors all invested funds would be secured by real estate. This was not the case as at least one sizeable unsecured loan was made to an entity owned and controlled by one or more of the principals at USACM. As a result Joseph Milanowski accepted a plea bargain and was sentenced to 12 years in prison on one count of wire fraud.

USA Capital's management was also found to be directly involved with several of the developers that were being funded, a conflict of interest and the Nevada Mortgage Lending Division later issued an opinion stating that the profit participations USACM negotiated on its own behalf while originating the loans were contrary to Nevada law.

On June 7, 2007, Michael Carmel, a Chapter 11 Trustee was appointed in the Thomas Hantges Bankruptcy Estate. The Trustee retained Brian Shapiro, Esq of the Law Office of Brian D. Shapiro, LLC as his local Las Vegas Bankruptcy counsel and Robbin Itkin, Esq. of the Law Office of Steptoe and Johnson as his general counsel. They are currently investigating the assets and transactions of Thomas Hantges.

## External links

- Website for USA Capital (<http://www.usacapitalcorp.com/>)
- Website for Compass Loans (<http://compassloans.net>)
- Website for the Lenders Protection Group (<http://usacapitalendersprotectiongroup.com/default.aspx>)
- [4] (<http://lasvegas.fbi.gov/dojpressrel/pressrel09/lv080409.htm>)

Retrieved from "[http://en.wikipedia.org/wiki/USA\\_Capital](http://en.wikipedia.org/wiki/USA_Capital)"

Categories: Pyramid and Ponzi schemes

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■ This page was last modified on 13 February 2011 at 17:10.

## USA Capital

### First Trust Deed Investment

**Borrower:** Del Valle Capital Corporation, Inc. or assignee  
The Borrower is a holding company engaged in the acquisition and development of lots, and construction of single-family homes for the entry-level homebuyer market under the name Del Valle Homes in California's Central Valley.

**Loan Amount:** \$19,250,000.

**Rate:** 12% (net) interest paid monthly

**Loan to Value:** Approximately 63% based on an appraisal by Sierra Valuation Consultants dated February 6, 2006, and approximately 57% based on purchase and sales contracts with Richmond Homes and Meritage Homes.

**Maturity:** September 8, 2006

**Collateral:** First Deed of Trust on approximately 143.6 acres with 38.2 acres zoned for medium density residential in Livingston, California.

**Project:** This project is planned for affordable housing in the area that lies south of Modesto in California's Central Valley. The property lies just minutes off Highway 99 with various access points including an on-off ramp from Highway 99.

**The Purpose:** Our loan will be used to acquire the land.

**Borrower's Equity:** The borrower has contributed \$3,000,000 into the project to date, and will expend his own funds to fund the ongoing legal, consulting and engineering throughout the entitlement process.

**Guarantees:** The loan will be guaranteed by Scott Myers, the founder and President of Del Valle Homes. Mr. Myers indicated net worth is approximately \$25 million as of December 31, 2004.

#### USA Capital

702-734-2400

Licensed by the State of Nevada Division of Mortgage Lending  
USA Commercial Mortgage Company 4484 S. Pecos Rd, Las Vegas NV 89121  
License #MB 333 10/21/2009

Money invested through a mortgage broker is not guaranteed to earn any interest or return and is not insured. Before investing investors must be provided applicable disclosure.

## EXHIBIT B



## EXHIBIT A

B10 (Official Form 10) (12/06)

UNITED STATES BANKRUPTCY COURT District of Nevada		RECEIVED AND	PROOF OF CLAIM 010-10725-10
Name of Debtor <b>POXTHILL STREET LLC</b> <b>Del Valle Livingston LLC</b>		Cas. Number 09-12855	→ correct?
NOTE: This form should not be used to make a claim for an administrative expense. After the entrance of the case, a request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 501.			
Name of Creditor (the person or other entity to whom the debtor owes money or property) Walls Family Trust dated 12/10/97		BANKRUPTCY COURT MARY A. SCHOTT, CLERK	
Name and address where notices should be sent Walls Family Trust dated 12/10/97 Joseph P. Walls & Ellen Walls, Trustees 2778 Hedford Way Carson City, NV 89701-3618		Court Case Number 9/28/2006	
Telephone number 775-881-2918		Filed on	
Name and address where payments should be sent (if different from above) <b>Same as Above</b>		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check this box if you are the debtor or trustee in this case.	
1. Amount of Claim as of Date Case Filed If all or part of your claim is secured, complete item 4 below. However, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.  Specify the priority of the claim: <input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (A)(B) <input type="checkbox"/> Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier 11 U.S.C. § 507(a)(4) <input type="checkbox"/> Contributions to an employee benefit plan 11 U.S.C. § 507(a)(5) <input type="checkbox"/> Up to \$2,425* of deposits toward purchase lease or rental of property or services for personal family or household use 11 U.S.C. § 507(a)(7) <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8) <input type="checkbox"/> Other Specify applicable paragraph of 11 U.S.C. § 507(a)	
2. Basis for Claim <b>MORTGAGE FORNANCE + NOT REPAID</b> (See instruction #2 on reverse side)			
3. Last four digits of any number by which creditor identifies debtor In Debtor may have scheduled account as <b>See Attached Documents</b> (See instruction #3 on reverse side)			
4. Secured Claim (See instruction #4 on reverse side) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information: <b>I AM UNSECURED IF SECURED OR UNSECURED.</b> Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other <b>There is Real estate</b> Describe: Value of Property \$ _____ Amount Interest Rate _____ Amount of arrearage and other charges as of time case filed included in secured claim: dollar \$ _____ Basis for perfection _____ Amount of Secured Claim \$ _____ Amount Unsecured \$ _____		Amount entitled to priority \$ _____  *Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to carry-forwarded on or after the date of adjustment.	
6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.			
7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of redacted on reverse side)			
(X) (X) (X) (X) ORIGINAL DOCUMENTS ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING			
If the documents are not available, please explain:			
Date <b>5/3/10</b> Signature: The person filing this claim must sign it. Sign and print name and title. If any of the debtor or other person authorized to file this claim and state address and telephone number if different from the notice address. Attach copy of power of attorney, if any.		FOR COURT USE ONLY <b>RECD</b> <b>10725001982</b>	

EXHIBIT A

53504006532025

USA CMC



10725001982

## USA Capital

### First Trust Deed Investment

**Borrower:**

Eagle Meadows Development, Ltd  
Kent Hoggan has been in the residential development business since 1973  
He has been involved in over 50 successful master planned communities  
while over 2/3rds of his projects have been sold to strong national  
homebuilders

**Loan Amount:** \$35,630,000

**Rate:** 12.5% (net) paid monthly

**Loan to Value:** Approximately 50% based upon comparable acreage sold in the immediate  
area. An appraisal has been ordered.

**Term:** 12 Months

**Collateral:**

First Deed of Trust on approximately 479 acres generally known as Fox  
Hills Phase II. This second phase of the master planned community has  
just begun the entitlement process. The property sits directly on Interstate  
5 as well as State Route 152. These arterials provide access to the  
metropolitan cities of Fresno, San Jose, & Modesto, California. The  
property is located in the county of Merced, which is between Fresno and  
Modesto California

**The Project:**

This project is the second phase of the successful Fox Hills master planned  
community. This second phase is currently being planned to provide 1,800  
homes, which when completed will comprise a mixture of higher density  
single-family homes, medium density single-family homes, golf course,  
and some attractive commercial acreage. Additionally, it is expected the  
project will contain at least one community park and an elementary school.

Pulte Homes purchased over 85% of the homes in Phase I, which will be  
the core holding for a new Del Webb community. They have also shown  
interest in purchasing the bulk of lots in Phase II.

Linda Samuels

561-988-9379 or 702-353-9885 cell

Licensed by the State of Nevada Division of Mortgage Lending  
USA Commercial Mortgage Company 4424 S. Pecos Rd, Las Vegas NV 89121  
License #MB 333 9/28/2005

Money invested through a mortgage broker is not guaranteed to earn any interest or return and is not insured. Before  
investing investors must be provided applicable disclosure

## EXHIBIT B

Case 06-10725-lbr Doc 9145-2 Entered 09/21/11 09:44:09 Page 2 of 2

Case 06-10725-lbr Doc 8571-2 Entered 06/27/11 15:07:11 Page 2 of 2

## USA Capital

**Use of Proceeds:** The proceeds from this loan will be used for restructuring existing debt and to acquire one 40 acre parcel. Additional monies will be used to pay for the costs associated with the entitlement of the property.

**Borrower Equity:** Borrower currently has over \$4,000,000 in the project.

**Exit Strategy:** The project is currently being pursued by large real estate syndicates as well as interest from Public Housing. Property could be sold "as-is" for a substantial profit. Our borrower believes that profits can be maximized if he waits until completion of the property entitlements. During the escrow period, the Borrower will complete the design and entitlements for the project.

**Guarantees:** The loan will be personally guaranteed by Kent Hoggan, with a combined net worth of approximately \$195,000,000 as of March 31, 2005.

Linda Samuels

561-988-9379 or 702-353-9885 cell

Licensed by the State of Nevada Division of Mortgage Lending  
USA Commercial Mortgage Company 4484 S Pecos Rd, Las Vegas NV 89121  
License #MB 333 9/28/2005

Money invested through a mortgage broker is not guaranteed to earn any interest or return and is not insured. Before investing investors must be provided applicable disclosure.

# EXHIBIT B



Case 06-10725-lbr Doc 9145-1 Entered 10/27/11 09:44:09 Page 2 of 2

**PROOF OF CLAIM** Page 2 of 6

Name of Debtor: EAGLE MEADOWS Development  
+ USA CAPITAL

Case Number: 06-10725 LBR

NOTE: See Reverse for List of Debtors and Case Numbers.  
This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor and Address:  
WALLS FAMILY TRUST DATED 12/10/97  
C/O JOSEPH P WALLS & ELLEN WALLS TRUSTEES  
2778 BEDFORD WAY  
CARSON CITY NV 89703-4618

Creditor Telephone Number 775-884-2918  
Last four digits of account or other number by which creditor identifies debtor: See Attached SHEETS

☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.  
☐ Check box if you have never received any notice from the Bankruptcy Court or BMC Group in this case.  
☐ Check box if this address differs from the address on the envelope sent to you by the court.

**DO NOT FILE THIS PROOF OF CLAIM FOR A SECURED INTEREST IN A BORROWER THAT IS NOT ONE OF THE DEBTORS.**  
If you have already filed a proof of claim with the Bankruptcy Court or BMC, you do not need to file again.  
**THIS SPACE IS FOR COURT USE ONLY**

Check here if this claim ☐ replaces or amends a previously filed claim dated: \_\_\_\_\_

**BASIS FOR CLAIM**  
☐ Goods sold  
☐ Services performed  
☒ Money loaned  
☐ Personal injury/accepted death  
☐ Taxes  
☐ Other (describe briefly): \_\_\_\_\_

**DATE DEBT WAS INCURRED:** 10-24-2005  
**CLASSIFICATION OF CLAIM:** Check the appropriate box or boxes that best describe your claim and state the percent of the claim at the time case filed.  
☐ Secured Nonpriority Claim \$ \_\_\_\_\_  
Check this box if: a) there is no collateral or lien securing your claim, or b) your claim exceeds the value of the property securing it, or if c) none or only part of your claim is entitled to priority.  
☐ Secured Priority Claim  
Check this box if you have an unsecured claim, all or part of which is entitled to priority.  
Amount entitled to priority \$ \_\_\_\_\_  
Specify the priority of the claim: \_\_\_\_\_  
Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (4)(B)  
Wages, salaries, or commissions (up to \$10,000), earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(2)  
Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4)

**IF COURT JUDGMENT, DATE OBTAINED:** (date) \_\_\_\_\_ to (date) \_\_\_\_\_

**SECURED CLAIM**  
☒ Check this box if your claim is secured by collateral (including a right of setoff).  
Brief description of collateral:  
☒ Real Estate ☐ Motor Vehicle ☐ Other  
Value of Collateral: \$ See Attached sheets  
Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ \_\_\_\_\_

☐ Up to \$2,225\* of deposits toward purchases, leases, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7)  
☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8)  
☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a) (\_\_\_\_\_) \* Amounts are subject to adjustment on 4/1/07 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

**AMOUNT OF CLAIM:** \$ \_\_\_\_\_  
**TIME CASE FILED:** (unsecured) \$ 200,000 Plus (secured) 12.5% (priority) \$ \_\_\_\_\_ (Total)

Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.  
**DEBITS:** The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.  
**SUPPORTING DOCUMENTS:** Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. **DO NOT SEND ORIGINAL.**  
**REMARKS:** If the documents are not available, explain. If the documents are voluminous, attach a summary.

**STAMPED COPY:** To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this form.

Original of this completed proof of claim form must be sent by mail or hand delivered (FAXES NOT PERMITTED) so that it is actually received on or before 5:00 pm, prevailing Pacific time, on November 13, 2006 by a person or entity (including individuals, partnerships, corporations, joint ventures, trusts and mental units).  
TO: U.S. Bankruptcy Court, District of Nevada, 911  
USACM Claims Docketing Center  
So, CA 90245-0911

BY HAND OR OVERNIGHT DELIVERY TO:  
BMC Group  
Attn: USACM Claims Docketing Center  
1330 East Franklin Avenue  
El Segundo, CA 90245

**THIS SPACE FOR COURT USE ONLY**

29/06  
SIGN and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any).  
Joseph P. Walls  
Working fraudulent claim is a fine of up to \$200,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 AND 3571